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Impact of ICT on Tax Administration in Nigeria

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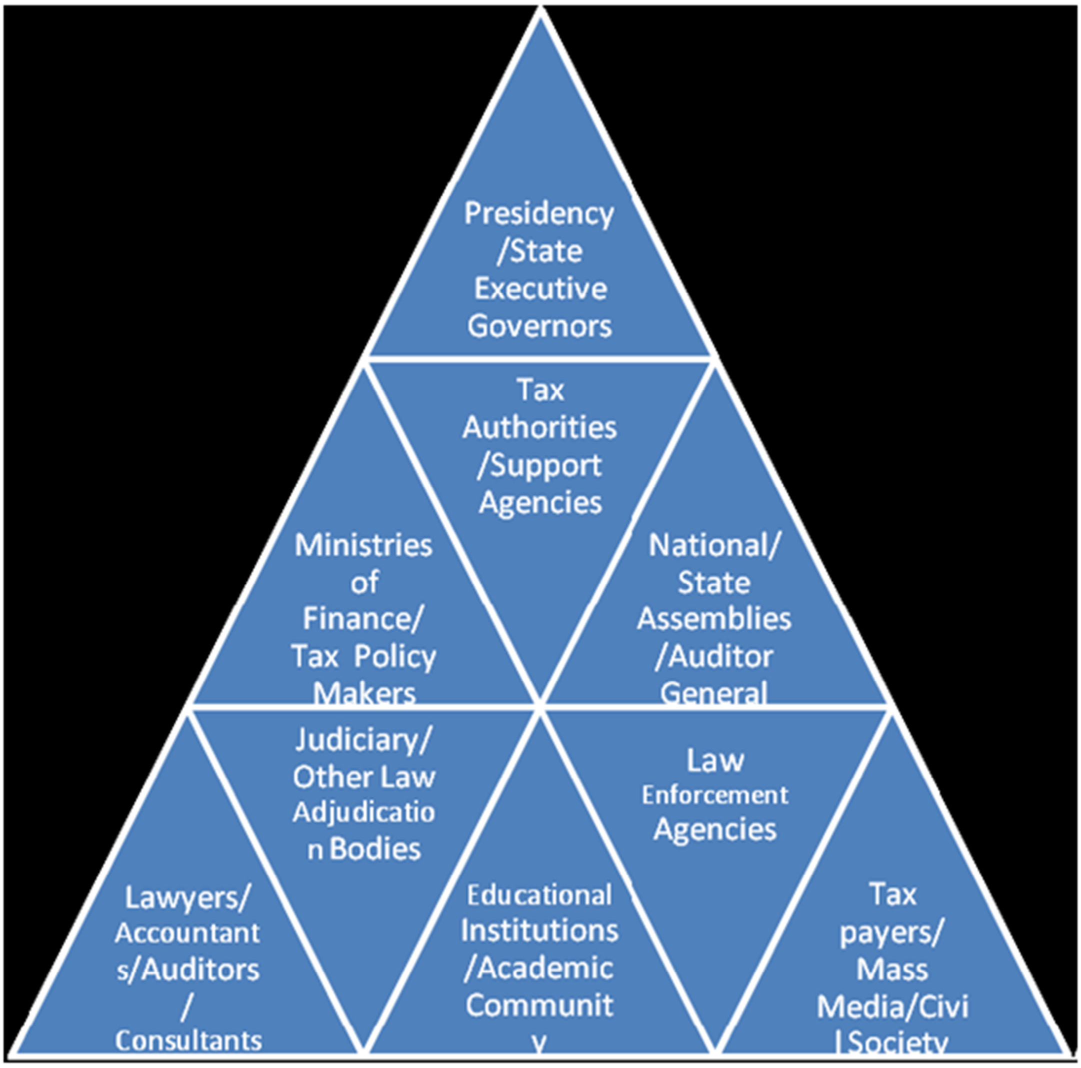
Abstract
The dwindling global fortune occasioned by the fall in the price of crude oil, the major source of wealth for Nigeria shifted the attention of the government and major stakeholders in the country to the revenue generated locally. But the daunting task of boosting the Internally Generated Revenue necessitates the adoption of ICT technologies to drive Tax administration. The study examined the overall effectiveness of ICT on tax administration in Nigeria. This paper revealed the extent of utility of ICT to a tax administration's core operations in Nigeria.
Keywords: Information and Communication Technology (ICT), Tax System, Tax Administration, ICT adoption.

Introduction

Good governance is when the social contract between the governments and the governed are satisfied and it is achievable using modern technique of Information Technology. Putting in place good welfare facilities and up-to-date securities apparatus for citizens is largely dependent on financial strength of that country. According to Sven Steinmo (1993) Governments need money; modern governments need lots of money, how they get this money and whom they take it from are two of the most difficult political issues faced in any modern political economy.

Daniel Armah-Attoh and Mohammed Awal (2013) pointed out that the capacity of a country to provide for the welfare and security of its citizens, as well as to develop and consolidate representative democracy, is determined by its ability to raise enough resources. As in many African countries, Internally Generated Revenue in Nigeria depends on taxation.

According to the Federal Inland Revenue handbook on "Taxation Reform in Democratic Nigeria", the history of modern taxation in Nigeria started with the Stamp Duties Proclamation in 1903 in the then Northern Protectorate, which later became part of amalgamated British Colony of Nigeria. It was the Native Revenue Proclamation of 1906 that systematizes all existing pre-colonial taxes, thus bringing into place a new regime of tax rates. The amalgamation of the Northern and Southern Protectorates to form the colonial federation of Nigeria in 1914 led to the Native Revenue Ordinance in 1917, which was extended from the northern territories to the western and eastern territories in 1918 and 1927, respectively. Since then, there has been a steady progress in the tax regime with various attempts to modernize, expand, reform and improve the process, procedure, and sanctions inherent in the system of taxation in Nigeria. In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of British West Africa. This Department was later renamed the Federal Board of Inland Revenue under the Income Tax Ordinance, No. 39 (1958). This was followed by the Companies and Income Tax Act, No. 22 (1961), which established the Federal Board of Inland Revenue, FBIR. The Act also created a Body of Appeal Commissioners to resolve tax-related disputes. In 1993, the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Decree No. 104 established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR and reviewed the functions of the Joint Tax Board (JTB), respectively. However, the history of tax administration in Nigeria changed dramatically in 2007 with the granting of financial and administrative autonomy to the Federal Inland Revenue Service through the passage of the Federal Inland Revenue Service (Establishment) Act 2007.



Source: Federal Inland Revenue Service of Nigeria

The pyramid above illustrates the all encompassing nature of the tax system in Nigeria. The President and State Governors at the apex give overall direction in the tax system, next are the tax authorities and support agencies who are involved in the day to day administration of the tax system followed by various other components, such as the Ministry of Finance, which oversees tax policy, the National Assembly which makes and amends tax legislation, the Judiciary which interprets tax laws and resolves tax disputes.

Studies on Information and Communication Technology Adoption

ICT adoption in tackling many challenges has been formally researched into and discussed upon at various lengths, both in Nigeria and the World at large. The trio of Basweti Ogachi Kevin, Masese Chuma Benard, Dr. Martin Onsiro Ronald (2013) as cited from Rogers (1993) explained adoption as a decision to make full use of an innovation as the best course of action. The adoption of ICT is defined as a collective term for a wide range of software, hardware, telecommunications and information management techniques, applications and devices, that are used to create, produce, analyze, process, package, distribute, receive, retrieve, store, and transform information (Brady et al.,2002).

The adoption and usage of Information and Communication Technology (ICT) is changing business processes, and the way people live and work. New innovations as a result of ICT are continuing to emerge. Globally, in the year 2000, 539 million computers were being used with 410 million in USA, European Union and Asia, leaving 129 million in developing countries. The number of computer usage was projected to grow to one billion by the year 2005. Similarly, the internet users were 315 million in 2000, and the number was estimated to grow to 716 million users by 2005, and the majority of these users were in developed countries (Ngplains 2002). The increase in emerging Information Technology has made banking services become more and more automated and less paper work than in the past as averred in the Central Bank of Nigeria reports and statistical bulletins (2005, 2006, 2007 and 2008) and other literature on banking and finance (Kozak 2005; Ayo 2006; Oladejo 2007; Keramati, 2007).

Amaoko (2012) in his research on the impact of ICT on banking operations in Ghana argued that ICT has contributed positively to the provision of banking services and the growth of the Ghanaian banking industry. Basweti Ogachi Kevin, Masese Chuma Benard , Dr. Martin Onsiro Ronald(2013) in their research on impact of ICT adoption in Tanzania banking sector found out that indeed ICT has impacted in the banking sector in Uganda positively in providing digital financial services. According to the Minister of Information and Communication technology, Omobolaji Johnson, Information technology is rapidly changing economic and social activities thereby providing opportunities and challenges for making progress with accelerated growth and poverty reduction in Africa and the evolution of the knowledge-based economy in Africa. Sonja (2010) researched on the effects of computerization on saving and credit cooperatives in Uganda and maintained that Technology is likely to increase the efficiency, outreach and sustainability of microfinance institutions.

Joseph Ssewanyana and Michael Busler (2007) argued that while the developing countries are still lagging behind the developed countries, the adoption and usage of ICT follows the same pattern in all countries but differ in the levels of usage. They pointed out that the usage of computers and Internet is high in medium and large Ugandan firms, and especially firms owned by foreigners. The small firms which are mainly locally owned, have low usage due to the high cost of required investment, limited knowledge and skills, and being very responsive to taxation.

Cucchietti (2013) explained that the bad news with the hype around ICT was that, it contributed to over 2% of global Carbon (iv) oxide ($CO_{2)}$ emissions. Fortunately, there is another side to this story. ICT does have the potential to reduce emissions in other sectors by 16.5%.

Modernization Of Tax Administration Using ICT

ICT is used to enhance performance in revenue administrations by reducing human error and processing times, providing readily accessible data for tax officers, promoting voluntary compliance thereby minimizing tax evasion and facilitating better decision making by tax authorities. The tax administration in Nigeria has been automated which also include electronic processes and tailored made projects to address specified areas of the tax system such as:

• TIN (Taxpayer Identification Number) Project is an electronic system of tax identification, involving the assignment of a computer-generated unique identifier called “TIN Number” to every taxable person in Nigeria. This project helps in the development of National Tax Database linking all revenue authorities and major stakeholders in the country. It is being overseen by the Joint Tax Board and funded by Federal Government of Nigeria and States in the country. TIN project is a legitimate and technological way of dragging every taxable Nigerian into the tax net. The TIN registration captures the properties, assets, biodata and biometric details (fingerprints) of the taxpayers to ensure highest accuracy of identity uniqueness. Precautionary measures such as Disaster recovery and contact management centers are put in place to ensure minimal downtime and outright failure of the project. It is now compulsory for any individual, corporate entity, registered organizations and group of people that want to carry out vital operations such as opening of Bank Account and award of contract to have TIN which will reduce to the barest minimum the incidence of tax evasion.

• Project FACT (Factual Accurate Complete Timely) is an integrated electronic system of tax registration, tax payment and accounting.

• ITAS (Integrated System of Tax Administration) includes, Business Process Reengineering, Systems Development, Change Management and automation of Finance and Accounts Functions such as Tax clearance verification, Tax refund application software and contact management centre.

Conclusion

This study shows clearly that ICT plays an important role in the increase of internally generated revenue in Nigeria by ensuring compliance thereby boosting productivity and economic activities in the country. It is a change agent for accelerated growth and poverty reduction in Nigeria and the whole of African continent at large. The emerging global infrastructure could make it increasingly possible for eligible taxpayers to pay tax online anywhere and anytime. The establishment of an integrated broadband plan is a positive indicator of the government of Nigeria to provide ambience for enhancing the use of information technology and promoting information transmission and connectivity to the global infrastructure. However, necessary laws and regulations have to be passed by the appropriate authorities to reduce or abolish import taxes on information technology hardware such as computers, Servers, printers, biometric scanners and other devices. ICT projects frequently encounter downtime at critical moments and have a significant failure rate on account of various challenges such as inadequate funding and maintenance due to organizational, political and technical complexities and lapses. Government has to put in place effective governance arrangements, adequate budget, risk assessment and management control and allow end user participation to achieve desired goal.

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